

**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

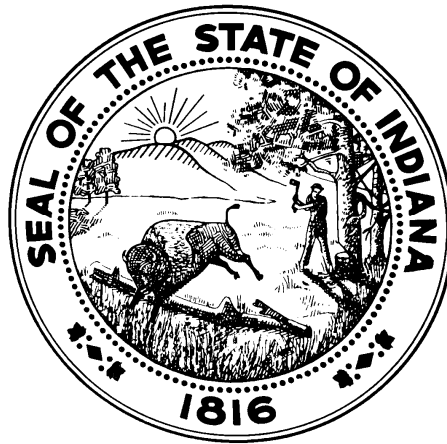
EXAMINATION REPORT

OF

BRAZIL TOWNSHIP

CLAY COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED

03/09/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Marcia Tozer	01-01-03 to 12-31-10
Chairman of the Township Board	Steve Lamb John Bradshaw Tony Smiley	01-01-06 to 12-31-06 01-01-07 to 07-31-08 08-01-08 to 12-31-08



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF BRAZIL TOWNSHIP, CLAY COUNTY, INDIANA

We have examined the financial information presented herein of Brazil Township (Township), for the period of January 1, 2006 to December 31, 2007. The Township's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Township for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 22, 2008

BRAZIL TOWNSHIP, CLAY COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 31,256	\$ 44,349	\$ 61,584	\$ 14,021
Dog	587	434	404	617
Township Assistance	19,499	128,153	106,507	41,145
Firefighting	11,780	19,457	16,436	14,801
Levy Excess	-	436	-	436
Totals	<u>\$ 63,122</u>	<u>\$ 192,829</u>	<u>\$ 184,931</u>	<u>\$ 71,020</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 14,021	\$ 78,449	\$ 85,072	\$ 7,398
Dog	617	-	-	617
Township Assistance	41,145	98,412	94,650	44,907
Firefighting	14,801	20,264	21,013	14,052
Levy Excess	436	593	436	593
Rainy Day	-	6,038	-	6,038
Totals	<u>\$ 71,020</u>	<u>\$ 203,756</u>	<u>\$ 201,171</u>	<u>\$ 73,605</u>

The accompanying notes are an integral part of the financial information.

BRAZIL TOWNSHIP, CLAY COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Township on or prior to December 31 of the year collected.

BRAZIL TOWNSHIP, CLAY COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 5. Deposits and Investments

Deposits, made in accordance with IC 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Township to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Temporary Loan

The Township borrowed \$20,000 for operating expenses from Clay County on October 17, 2007, to be repaid within one year. On September 2, 2008, the Clay County Board of Commissioners granted a six month extension.

Note 7. Subsequent Event – Declining Financial Condition

The Township has been experiencing a decline in financial condition since the end of the examination period. The impact of the decline could require the Township to attempt to borrow additional funds and to substantially reduce services in order to pay operating expenses when they come due. As of the date of this report, management has not prepared specific plans to deal with the declining financial condition.

BRAZIL TOWNSHIP, CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS

DEPOSIT OF PUBLIC FUNDS

We noted instances where the Trustee was making deposits only once a month.

IC 5-13-6-1(c) states in part: "The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month."

OFFICIAL BOND

Official bond premiums are being paid for the Trustee's current elected term of January 1, 2007 to December 31, 2010. However, a new official bond has not been issued by the insurance agent and, therefore, not recorded in the Office of the County Recorder. The last bond recorded covers the Trustee's prior term of January 1, 2005, until successor duly qualified.

IC 5-4-1-9 states in part: "An officer required to give an official bond shall give the bond before the commencement of his term of office. If the officer fails to give the bond before that time, the officer may not take office."

IC 36-6-4-2(c) states in part: "The term of office of a township trustee is four (4) years, beginning January 1 after election and continuing until a successor is elected and qualified."

OVERDRAWN BANK ACCOUNT

The cash balance of the Township's bank account was overdrawn by \$184 as of October 1, 2008.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

SCHEDULED OFFICE HOURS

The Trustee closed the Township Office from June to October 2008 due to lack of available funds.

IC 12-20-5.5-4(c) states in part: "The Township Trustee shall do the following: (1) Provide township assistance office hours for at least fourteen (14) hours per week. (2) Provide that there is not more than one (1) weekday between the days the township assistance office is open. (3) Provide for after hours access to the township assistance office by use of an answering machine or a service: (A) capable of taking messages; and (B) programmed to provide information about township assistance office hours."

DECLINING FINANCIAL CONDITION

The declining cash balances during the examination period as well as the subsequent period could have an effect on the future of the Township's ability to maintain day to day operations as well as the obligation of assisting the poor.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

BRAZIL TOWNSHIP, CLAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 22, 2008, with Marcia Tozer, Trustee. The official response has been made a part of this report and may be found on pages 9 and 10.

**Brazil Township Trustee
4 W. National Ave.
Brazil, IN 47834
(812) 446-9511**

Trustee's Rebuttal to Audit:

Bond: I have worked in good faith with my insurance agent to secure a new bond annually. I admit that I did not check the serial numbers but our agent reassures annually that the company that issues the bond is in full compliance with Indiana Codes. This item was corrected after our exit conference and a new bond is to be issued.

Deposits: Our mail is delivered to our business address and is placed in an open mailbox. To prevent theft, we rented a post office box for the sole purpose of tax revenue checks. We make a diligent effort to check this box but, in an effort to reduce cost of mileage, we go to the Post Office in or around the time of an anticipated check. If a special check had been issued that is unanticipated then we unaware of its presence.

Overdrawn Account: The overdraft was caused by human error due to an issued check that was not recorded. Since we are not computerized, we cannot check our balance daily and all oversight is by hand which will subject us to human errors.

Excessive or Unreasonable Costs: We, my board and I, felt that the employees need medical coverage. The nature of our environment has subjected us to active tuberculosis, hepatitis and MRSA. MRSA ranks as the third leading cause of death from a preventable disease in America. Standard liability will not pay for testing of diseases. Symptoms may not occur immediately. We made every reasonable effort to join a larger group. If the State desires to place a price on human life then we will invest in a group life insurance program instead. Unreasonable and excessive are subjective terms. We stand by our decision that it is a need and not a want as long as we are subjected to these and other contagious diseases.

Scheduled Office Hours: The Township Office was not closed from June to October 2008. My employees were laid off on August 6, 2008. I continued to run the Office alone with posted hours on Monday, Wednesday, and Friday's until the end of August. When it was apparent we were no longer able to pay for rent, electric, or phone services, I felt that it was morally wrong and unethical for the Township to incur bills without knowing when or if we would be able to pay for these services. Using these services without means to pay them is theft by deception. My home is not zoned to do business and is not structurally suited to do any type business. Arrangements were made with two agencies to call me if I was needed for their clients. Both agencies had my home phone number and cell phone number. Our outgoing message instructed clients to contact these agencies for help. I was far more assessable than many of my counterparts who have no hours.

Declining Financial Condition: Our office is reliant on property tax and a county adjusted gross income tax. Clay County ranks near the bottom for employment in the State. This is very evident by the number of houses in foreclosures. Any governmental unit (which do their jobs properly) are in need of a reliable tax source. Each year the Township has been asked to do more with less money. We could improve the bottom line if we had more time to investigate and follow through on our clients but we must make decisions within

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72 working hours and for clients in need of medicines, they cannot wait at all; the State agencies take months to make their determinations.